

**PUBLIC DISCLOSURE**

**AUGUST 31, 2023**

**MORTGAGE LENDER COMMUNITY INVESTMENT  
PERFORMANCE EVALUATION**

**PROVIDENT FUNDING ASSOCIATES, L.P. D/B/A PROVIDENT FUNDING  
ML3821**

**1235 NORTH DUTTON AVENUE, SUITE E  
SANTA ROSA, CALIFORNIA 95401**

**DIVISION OF BANKS  
1000 WASHINGTON STREET  
BOSTON, MA 02118**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this mortgage lender. The rating assigned to this mortgage lender does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this mortgage lender.</p>
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## GENERAL INFORMATION

This document is an evaluation of the Mortgage Lender Community Investment (CRA) performance of **Provident Funding Associates, L.P. D/B/A Provident Funding (Lender or Provident Funding)** pursuant to Massachusetts General Laws chapter 255E, section 8 and the Division of Banks' (Division) regulation 209 CMR 54.00, prepared by the Division, the Lender's supervisory agency, as of August 31, 2023.

## SCOPE OF EXAMINATION

An evaluation was conducted using examination procedures, as defined by CRA guidelines. A review of the Division's records, as well as the Lender's public CRA file, did not reveal any complaints.

The CRA examination included a comprehensive review and analysis, as applicable, of Provident Funding's:

- (a) origination of loans and other efforts to assist low- and moderate-income (LMI) residents, without distinction, to be able to acquire or to remain in affordable housing at rates and terms that are reasonable considering the mortgage lender's history with similarly situated borrowers, the availability of mortgage loan products suitable for such borrowers, and consistency with safe and sound business practices;
- (b) origination of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units;
- (c) efforts working with delinquent residential mortgage customers to facilitate a resolution of the delinquency; and
- (d) other efforts, including public notice of the scheduling of examinations and the right of interested parties to submit written comments relative to any such examination to the Commissioner of Banks (Commissioner), as, in the judgment of the Commissioner, reasonably bear upon the extent to which a mortgage lender is complying with the requirements of fair lending laws and helping to meet the mortgage loan credit needs of communities in the Commonwealth of Massachusetts (Commonwealth or Massachusetts).

CRA examination procedures were used to evaluate Provident Funding's community investment performance. These procedures utilize two performance tests: the Lending Test and the Service Test. This evaluation considered Provident Funding's lending and community development activities for the period of January 1, 2021, through December 31, 2022. The data and applicable timeframes for the Lending Test and the Service Test are discussed below.

The Lending Test evaluates the mortgage lender's community investment performance pursuant to the following six criteria: geographic distribution of loans, lending to borrowers of different incomes, innovative and flexible lending practices, loss mitigation efforts, fair lending, and loss of affordable housing.

Home mortgage lending for 2021 and 2022 is presented in the geographic distribution, lending to borrowers of different incomes and the minority application flow tables. Comparative analysis of the Lender's lending performance for both years is provided. The aggregate lending data is used for comparison purposes within the evaluation and is a measure of loan demand. It includes

lending information from all Home Mortgage Disclosure Act (HMDA) reporting mortgage lenders who originated loans in the Commonwealth.

In addition to gathering and evaluating statistical information relative to a mortgage lender's loan volume, the CRA examination also reflects an in-depth review of the entity's mortgage lending using qualitative analysis. This analysis includes, but is not limited to, an assessment of the suitability and sustainability of the mortgage lender's loan products by reviewing the lender's internally maintained records of delinquencies and defaults as well as information publicly available through the Federal Reserve Banks and through local Registries of Deeds and through other sources available to the examination team. The examination included inspection of individual loan files for review of compliance with consumer protection provisions and scrutiny of these files for the occurrence of disparate treatment based on a prohibited basis.

The Service Test evaluates the mortgage lender's record of helping to meet the mortgage credit needs by analyzing the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and, if applicable, loss mitigation services to modify loans and/or efforts to keep delinquent home borrowers in their homes.

## **MORTGAGE LENDER'S CRA RATING:**

**This mortgage lender is rated “Needs to Improve”**

### **Lending Test: “Needs to Improve”**

- The geographic distribution of the Lender’s loans reflects poor dispersion in LMI census tracts.
- Given the demographics of Massachusetts, the loan distribution to borrowers reflects a poor record of serving the credit needs among individuals of different income levels.
- Provident Funding makes little use of flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals.
- Lending practices and products did not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.
- Fair lending policies and practices are considered adequate.

### **Service Test: “Needs to Improve”**

- The Lender provided no community development services within the Commonwealth during the evaluation period.
- Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the Commonwealth.

## **PERFORMANCE CONTEXT**

### **Description of Mortgage Lender**

Provident Funding was organized in California on November 10, 1992, and licensed by the Division as a mortgage lender and loan servicer on May 9, 2014. The Licensee's headquarters are located in Santa Rosa, California. At the time of the examination, the Licensee held licenses in 45 states and the District of Columbia. Provident Funding has three licensed branches nationwide but none are located in Massachusetts. The Licensee originates and sells residential mortgage loans to the secondary market with the majority of the loans sold with servicing rights retained. Provident Funding services its originated and purchased servicing rights loans, and subservices for other entities. The Licensee originates loans in Massachusetts through its retail and wholesale (broker) channels. During the examination period of 2021 and 2022, Provident Funding originated 992 loans totaling approximately \$317.9 million in Massachusetts.

### **Demographic Information**

The Division's regulation 209 CMR 54.00 requires mortgage lenders to be evaluated on their performance within the Commonwealth. Demographic data is provided below to offer contextual overviews of the economic climate along with housing and population characteristics for Massachusetts.

<b>DEMOGRAPHIC INFORMATION OF THE COMMONWEALTH</b>						
<b>Demographic Characteristics</b>	<b>Amount</b>	<b>% Low</b>	<b>% Moderate</b>	<b>% Middle</b>	<b>% Upper</b>	<b>% N/A</b>
Geographies (Census Tracts)	1,620	10.5	19.1	37.0	30.0	3.4
Population by Geography	7,029,917	9.4	19.0	37.8	32.6	1.2
Owner-Occupied Housing by Geography	1,654,892	3.1	14.6	43.1	38.9	0.3
Family Distribution by Income Level	1,673,992	22.8	16.4	19.8	41.0	0.0
Distribution of Low- and Moderate-Income Families	655,582	15.8	27.3	37.1	19.2	0.7
Median Family Income	\$114,076	Median Housing Value				\$449,342
Households Below Poverty Level	10.6%	2022 Unemployment Rate				3.8%*
2021 HUD Adjusted Median Family Income	\$106,200	2022 HUD Adjusted Median Family Income				\$120,400

Source: 2020 US Census; \*Bureau of Labor Statistics annual average

Based on the 2020 United States (US) Census, the Commonwealth's population was above 7 million people with a total of 2.9 million housing units. Of the total housing units, almost 1.6 million or 56.8 percent are owner-occupied, 992,088 or 34.1 percent are rental-occupied, and 9.1 percent are vacant units.

According to the 2020 US Census, there are 2.6 million households in the Commonwealth with a median household income of \$91,426. Nearly 40 percent of households are classified as LMI. Over ten percent of the total number of households are living below the poverty level. Individuals in these categories may find it challenging to qualify for traditional mortgage loan products.

Households classified as “families” totaled slightly over 1.67 million. Of all family households, 22.8 percent were low-income, 16.4 percent were moderate-income, 19.8 percent were middle-income, and 41.0 percent were upper-income. The median family income according to the 2020 US Census data stood at \$114,076. The Department of Housing and Urban Development (HUD) adjusted median family income was \$106,200 in 2021 and increased to \$120,400 in 2022. The HUD adjusted median family income is updated yearly and takes into account inflation and other economic factors.

Massachusetts contains 1,620 census tracts. Of these, 170 or 10.5 percent are low-income; 309 or 19.1 percent are moderate-income; 599 or 37.0 percent are middle-income; 486 or 30.0 percent are upper-income; and 56 or 3.4 percent are NA or have no income designation. The tracts with no income designation are located in areas that contain no housing units and will not be included in this evaluation since they provide no lending opportunities. These areas are made up of correctional facilities, universities, military installations, and uninhabited locations such as the Boston Harbor Islands.

Low-income is defined as individual income that is less than 50 percent of the area median income. Moderate-income is defined as individual income that is at least 50 percent and less than 80 percent of the area median income. Middle-income is defined as individual income that is at least 80 percent and less than 120 percent of the area median income. Upper-income is defined as individual income that is more than 120 percent of the area median income.

The median housing value for Massachusetts was \$449,342 according to the 2020 US Census data. The unemployment rate for Massachusetts stood at an annual average of 3.8 percent for 2022, a decrease from the 2021 annual average rate of 5.5 percent, according to the Bureau of Labor Statistics. Employment rates would tend to affect a borrower’s ability to remain current on mortgage loan obligations and also correlate with delinquency and default rates.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Lending Test evaluates a mortgage lender’s record of helping to meet the mortgage credit needs of the Commonwealth through its lending activities. Provident Funding’s lending efforts are rated under the six performance criteria: Geographic Distribution, Borrower Characteristics, Innovative or Flexible Lending Practices, Loss Mitigation Efforts, Fair Lending Policies and Procedures, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the mortgage lending of Provident Funding.

Provident Funding’s Lending Test performance was determined to be “**Needs to Improve**”.

#### *I. Geographic Distribution*

The geographic distribution of loans was reviewed to assess how well Provident Funding is addressing credit needs throughout Massachusetts. The following table presents, by number, Provident Funding’s 2021 and 2022 HMDA reportable loans in low-, moderate-, middle-, and upper-income level geographies, in comparison to the percentage of owner-occupied housing units in each of the census tract income level categories, and the 2021 and 2022 aggregate lending data (inclusive of Provident Funding).

Geographic Distribution of HMDA Loans by Census Tract					
Tract Income Level	Year	% of MA Owner-Occupied Housing Units	Aggregate Performance % of #	Provident Funding #	Provident Funding %
Low	2021	3.1	4.2	14	1.8
	2022		4.4	6	3.2
Moderate	2021	14.6	14.3	77	9.6
	2022		16.0	25	13.2
Middle	2021	43.1	42.7	303	37.7
	2022		42.0	80	42.3
Upper	2021	38.9	38.6	409	50.9
	2022		37.1	76	40.2
Not Available	2021	0.3	0.2	0	0.0
	2022		0.5	2	1.1
<b>Total</b>	<b>2021</b>	100.0	<b>100.0</b>	<b>803</b>	<b>100.0</b>
	<b>2022</b>		<b>100.0</b>	<b>189</b>	<b>100.0</b>

*Source: 2020 US Census; 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 and 2022 HMDA Aggregate Data*

Provident Funding’s geographic distribution of loans in LMI tracts was below the aggregate lending and the demographics in 2021. In 2022, the Lender’s geographic distribution of loans in LMI tracts was also below the aggregate lending and the demographics. The Lender’s performance of lending in LMI tracts did improve from 11.4 percent in 2021 to 16.4 percent in 2022. However, Provident Funding’s distribution of lending still needs additional improvement when compared to the demographics and aggregate lending data.

## II. Borrower Characteristics

The distribution of loans by borrower income was reviewed to determine the extent to which the Lender is addressing the credit needs of the Commonwealth’s residents. The following table shows Provident Funding’s 2021 and 2022 HMDA-reportable loans to low-, moderate-, middle-, and upper-income borrowers in comparison to the percentage of total families within the Commonwealth in each respective income group, and the 2021 and 2022 aggregate lending data (inclusive of Provident Funding).

Distribution of HMDA Loans by Borrower Income					
Borrower Income Level	Year	% of MA Families	Aggregate Performance % of #	Provident Funding #	Provident Funding %
Low	2021	22.8	5.9	29	3.6
	2022		7.4	9	4.8
Moderate	2021	16.4	17.8	108	13.5
	2022		19.7	26	13.8
Middle	2021	19.8	22.5	218	27.1
	2022		23.0	60	31.7
Upper	2021	41.0	39.9	343	42.7
	2022		37.5	75	39.7
Not Available	2021	0.0	13.9	105	13.1
	2022		12.4	19	10.0
Total	2021	100.0	100.0	803	100.0
	2022		100.0	189	100.0

Source: 2020 US Census; 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 and 2022 HMDA Aggregate Data

As shown in the above table, lending to LMI borrowers during 2021 and 2022 was below the percentage of LMI families, as well as below the performance of aggregate data. The Lender’s performance of lending in LMI tracts slightly improved from 17.1 percent in 2021 to 18.6 percent in 2022.

According to the 2020 census data, 10 percent of the families within the Commonwealth have incomes below the poverty threshold and would most likely not qualify for home ownership given high housing costs. The Lender’s overall lending performance to LMI borrowers needs improvement at this time.

## III. Innovative or Flexible Lending Practices

Provident Funding offers limited flexible lending products, which are provided in a safe and sound manner to address the credit needs of LMI individuals or geographies.

Provident Funding began offering the Fannie Mae’s HomeReady program and FHLMC HomeOne/Home Possible program during the examination period. These programs are designed to extend to consumers certain benefits and flexible credit options, to help them meet their home buying, refinance or renovation needs, and help mortgage lenders to confidently serve a market of



creditworthy low- to moderate-income borrowers. During the review period, the Lender did not have any originations in Massachusetts.

#### ***IV. Loss Mitigation Efforts***

The Division reviews a mortgage lender's efforts to work with delinquent home mortgage loan borrowers to facilitate a resolution of the delinquency, including the number of loan modifications, the timeliness of such modifications, and the extent to which such modifications are effective in preventing subsequent defaults or foreclosures.

Provident Funding services a portfolio of loans in Massachusetts, therefore this review included an evaluation of loan mitigation and modification efforts. Provident Funding maintains the servicing rights on the majority of loans that it originates. Provident Funding is responsible for loss mitigation and delinquency management and works with delinquent homeowners to facilitate a resolution of the delinquency. Various options may include forbearance, loan modifications, and short sales. During the review period, Provident Funding completed 103 Massachusetts mortgage loan modifications and the majority of loan modifications remain current. Lending and servicing practices did not show an undue concentration or systematic pattern of lending resulting in mortgage loans that were not sustainable.

#### ***V. Fair Lending***

The Division examines a mortgage lender's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The Lender's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. The review included, but was not limited to, review of written policies and procedures, interviews with Provident Funding's personnel, and individual file review. Provident Funding has established an adequate record relative to fair lending policies and procedural practices. No evidence of discriminatory or illegal credit practices was identified.

#### **Minority Application Flow**

Examiners reviewed the Lender's HMDA data to determine whether the mortgage application flow from various racial and ethnic groups was consistent with the area demographics.

During 2021 and 2022, Provident Funding received 1,720 HMDA-reportable mortgage loan applications from within Massachusetts. For these applications, the racial and ethnic identity was not specified in 37.7 percent of cases. Of the remaining applications, 424 or 24.7 percent were received from racial minority applicants, and 265 or 62.5 percent resulted in originations. For the review period, Provident Funding received 34 or 2.0 percent of HMDA-reportable applications from ethnic groups of Hispanic or Latino origin, and 8 or 23.5 percent were originated.

This compares to the 57.8 percent overall ratio of mortgage loans originated by the Lender in Massachusetts in 2021 and the 61.7 percent approval ratio by the aggregate group in 2021. In 2022, the Lender originated 57.3 percent of applications and the aggregate group originated 58.3 percent.

Demographic information for Massachusetts reveals the total racial minority population stood at 30.4 percent of total population as of the 2020 US Census data. Racial minorities consisted of 7.0

percent Black; 7.3 percent Asian/Pacific Islander; 0.3 percent American Indian/Alaskan Native; 8.7 percent two or more minority races; and 7.1 percent identified as Other Race. Ethnic minorities consisted of 12.6 percent Hispanic or Latino.

Refer to the following table for information on the Lender’s minority loan application flow as well as a comparison to aggregate lending data throughout the Commonwealth. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Lender received from minority applicants.

Minority Application Flow						
Race	2021 Aggregate Data	2021 Provident Funding		2022 Aggregate Data	2022 Provident Funding	
	% of #	#	%	% of #	#	%
American Indian/ Alaska Native	0.3	2	0.2	0.3	0	0.0
Asian	6.6	289	20.8	6.6	71	21.5
Black/ African American	4.6	18	1.3	5.8	5	1.5
Hawaiian/Pacific Islander	0.1	0	0.0	0.2	0	0.0
2 or more Minority	0.1	1	0.1	0.2	0	0.0
Joint Race (White/Minority)	1.6	27	1.9	1.7	11	3.3
<b>Total Minority</b>	<b>13.3</b>	<b>337</b>	<b>24.3</b>	<b>14.8</b>	<b>87</b>	<b>26.3</b>
White	61.2	782	56.3	61.0	188	57.0
Race Not Available	25.5	271	19.4	24.2	55	16.7
<b>Total</b>	<b>100.0</b>	<b>1,390</b>	<b>100</b>	<b>100.0</b>	<b>330</b>	<b>100.0</b>
Ethnicity	% of #			% of #		
Hispanic or Latino	6.0	13	0.9	7.4	5	1.5
Joint (Hisp-Lat /Non-Hisp-Lat)	1.2	10	0.7	1.5	6	1.8
<b>Total Hispanic or Latino</b>	<b>7.2</b>	<b>23</b>	<b>1.6</b>	<b>8.9</b>	<b>11</b>	<b>3.3</b>
Not Hispanic or Latino	67.4	1,094	78.7	67.6	270	81.8
Ethnicity Not Available	25.4	273	19.7	23.5	49	14.9
<b>Total</b>	<b>100.0</b>	<b>1,390</b>	<b>100.0</b>	<b>100.0</b>	<b>330</b>	<b>100.0</b>

Source: 1/1/2021 - 12/31/2022 Lender HMDA Data, 2021 & 2022 HMDA Aggregate Data

In 2021 and 2022, Provident Funding’s performance was above the aggregate’s performance for racial minority applicants. For the same time period, Provident Funding’s performance was below the aggregate’s performance for ethnic minority applicants of Hispanic origin.

The majority of Provident Funding’s Massachusetts business generated through wholesale broker relationships, whose offices appear to be situated near high minority geographic areas in the Commonwealth. This is reflected in the high percentage of Asian minority applications during 2021 and 2022.

## VI. Loss of Affordable Housing

This review concentrated on the suitability and sustainability of mortgage loans originated by Provident Funding by considering delinquency and default rates of the Lender and those of the overall marketplace. Information provided by the Lender was reviewed, as were statistics available on delinquency and default rates for mortgage loans. A review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration or a systematic pattern of lending, including a pattern of early payment defaults, resulting in the loss of affordable housing units.

## **SERVICE TEST**

The Service Test evaluates a mortgage lender's record of helping to meet the mortgage credit needs in the Commonwealth by analyzing both the availability and effectiveness of a mortgage lender's systems for delivering mortgage loan products, the extent and innovativeness of its community development services, and loss mitigation services to modify loans or otherwise keep delinquent home loan borrowers in their homes. Community development services must benefit the Commonwealth or a broader regional area that includes the Commonwealth.

Provident Funding's Service Test performance was determined to be "Needs to Improve" at this time.

### **Community Development Services**

A community development service is a service that:

- (a) has as its primary purpose community development; and
- (b) is related to the provision of financial services, including technical services

The Commissioner evaluates community development services pursuant to the following criteria:

- (a) the extent to which the mortgage lender provides community development services; and
- (b) the innovativeness and responsiveness of community development services.

Provident Funding did not provide qualified community development services within Massachusetts.

Management is strongly encouraged to expand its commitment to community outreach activities that meet the definition of community development under the aforementioned regulation. Examples may include, but are not necessarily limited to, financial literacy education initiatives, homeownership promotion targeted to LMI individuals, foreclosure prevention counseling throughout the Commonwealth, and/or technical assistance to community organizations in a leadership capacity.

### **Mortgage Lending Services**

The Commissioner evaluates the availability and effectiveness of a mortgage lender's systems for delivering mortgage lending services to LMI geographies and individuals.

Provident Funding provides an adequate delivery of mortgage lender services that are accessible to geographies and individuals of different income levels in the Commonwealth. Provident Funding provides lending services through broker, retail, and correspondent lending channels. Consumers can apply by telephone, the internet, and direct mail. Approximately 24 percent of Provident Funding's loans are originated through its wholesale (broker) channel. Through the wholesale channel, Provident Funding has loan origination relationships with brokers doing business throughout the Commonwealth. Through the retail channel, consumers can apply for a loan directly through Provident Funding's website or by telephone. Provident Funding began offering Fannie Mae's HomeReady and FHLMC's HomeOne/Home Possible programs during the exam period. The Lender has financial information resources online.

Provident Funding also services loans originated in Massachusetts. Provident Funding's servicing department is responsible for loss mitigation and delinquencies for the loans that are being serviced and works with delinquent homeowners to facilitate a resolution of delinquency and provides available options which may include loan modification, short sale, and forbearance.

As described above, lending practices and products do not show an undue concentration or a systematic pattern of lending resulting in mortgage loans that were not sustainable.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 255E, Section 8, and the Division's regulation 209 CMR 54.00, require all mortgage lenders to take the following actions within 30 business days of receipt of the CRA evaluation:

- 1) Make its most current CRA performance evaluation available to the public.
- 2) Provide a copy of its current evaluation to the public, upon request. In connection with this, the mortgage lender is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the mortgage lender's evaluation, as prepared by the Division of Banks, may not be altered or abridged in any manner. The mortgage lender is encouraged to include its response to the evaluation in its CRA public file.

The Division of Banks will publish the mortgage lender's Public Disclosure on its website no sooner than 30 days after the issuance of the Public Disclosure.